

Dead Men Tell No Tales, But Do You Still Have to Pay Them?

Your Plant Engineer, Fred, has not reported back to work after calling in sick on Monday. On Thursday afternoon, you receive a voicemail from Fred's mother and you learn that Fred has, quite unexpectedly, passed away.

As you are placing the order for flowers, you receive a call from Fred's wife. She confirms that Fred is "no longer with us" and then asks for Fred's final paycheck. You are taken aback. While you are fairly certain you must still pay Fred, you are not sure about the process.

What are your Company's obligations when paying Fred's final wages?

- A. The Company should process Fred's final wages along with its regular payroll and follow its regular payroll procedures. If Fred had direct deposit, then process the direct deposit. Otherwise, mail the paycheck to Fred's last known address.
- B. Before paying Fred's final wages, you should look to your state's probate laws for guidance. The procedure for paying Fred's final wages is addressed there.
- C. The Company should ask Fred's wife to come in and pick up Fred's final paycheck because she is the "next of kin."
- D. The Company has no obligation to pay Fred after he has died.



The correct answer is B:

Explanation

The death of someone in your organization is always a difficult thing to handle. This is further complicated if the employee dies unexpectedly and there are unpaid wages hanging in the balance.

Regardless of the circumstances, the deceased employee's final wages must be paid, and the procedure for how those wages are to be paid is usually set forth in your state's probate code. In the event an employee dies, you should review the probate code and pay the employee's wages in accordance with those laws.

When paying final wages to a deceased employee, you want to consider the following questions:

- Who may claim a deceased employee's final wages?
 - Generally, the payment may be made to the employee's spouse, next of kin, or the employee's estate, but this varies depending on the state.
- Are there limits to the amount of money that can be paid?
 - There may be a limit on wages that may be claimed without probate. Some states range from as little as \$100 up to \$40,000.
- Are taxes withheld from a deceased employee's final pay?

- Employers should follow IRS guidelines for a deceased employee's final wage payment. Refer to IRS's annual Tax Guide for more information.
- What forms are required so that the employer knows the employee is deceased?
 - The employer would need to request a death certificate, as well as any other form required by the state.
- Is there a timeframe in which I must provide final wages?
 - The payment must be made within a specific amount of time from the day of the employee's death.
- What happens if no one claims the employee's final wages?
 - The probate code in your state will address this question. In most cases, monies may have to be sent to the state.
- What should I tell the employee's family?
 - It is important to communicate with the employee's family and explain to them how the employee's final wages will be paid.